

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 58th LEGISLATURE - REGULAR SESSION

COMMITTEE ON APPROPRIATIONS

Call to Order: By **CHAIRMAN DAVE LEWIS**, on February 10, 2003 at 3:20 P.M., in Room 102 Capitol.

ROLL CALL

Members Present:

Rep. Dave Lewis, Chairman (R)
Rep. Rosalie (Rosie) Buzzas, Vice Chairman (D)
Rep. Edith Clark, Vice Chairman (R)
Rep. John Brueggeman (R)
Rep. Tim Callahan (D)
Rep. Stanley (Stan) Fisher (R)
Rep. Eve Franklin (D)
Rep. Dick Haines (R)
Rep. Donald L. Hedges (R)
Rep. Joey Jayne (D)
Rep. Carol C. Juneau (D)
Rep. Dave Kasten (R)
Rep. Christine Kaufmann (D)
Rep. Monica Lindeen (D)
Rep. John Musgrove (D)
Rep. Jeff Pattison (R)
Rep. Rick Ripley (R)
Rep. John Sinrud (R)
Rep. John Witt (R)

Members Excused: None.

Members Absent: None.

Staff Present: Jon Moe, Legislative Branch
Mary Lou Schmitz, Committee Secretary

Please Note. These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing & Date Posted: HB 491, HB 492, 2/4/2003
Executive Action: HB 133, HB 361

HEARING ON HB 491

Sponsor: REP. DON HEDGES, HD 97, Antelope

Opening Statement by Sponsor:

REP. HEDGES said this bill qualifies the libraries for Treasure State Endowment Program (TSEP) funding. The executive budget proposal changed the funding level for the special revenue account from 7.75% down to 4.18%. This created a severe impact on the library and Library Commission and the subcommittee did not find a reasonable amount of money to back the bill in Central Services in the library. He is proposing a subcommittee bill that would qualify the TSEP funding and the library cost for both the Natural Resource Information System (NRIS) and the internet service and to the TSEP funding mechanism in HB 11. By taking a 2% fee from those projects currently funded through HB 11, they would come up with \$320,000 which is the necessary amount to keep the library whole in terms of the executive budget and reduce the individual funding line-items in HB 11 by 2% each and on a \$500,000 line-item that would amount to \$10,000, which would not be a severe reduction.

Proponents' Testimony:

Karen Strege, Director, State Library, said the State Library is the proud home to the Natural Resources Information System (NRIS). This program collects, organizes, and disseminates information about Montana's valuable natural resources. Management and staff of all government agencies at all levels, federal, state, and local, depend on their collections to make sound public policy decisions. The State Library supports this bill. The executive budget included severe reductions to many library programs, including the NRIS program. The reductions sustained by the agency and local libraries total \$1.25 million which is a 26% decrease in General Fund and a 50% reduction in Coal Tax Revenue. If TSEP funds are forthcoming for the next biennium, they may help fill a portion of this reduction.

Jim Smith, Montana Library Association, said on the one hand there is a rational basis for what is presented in this bill. There is a case to be made that the kind of information infrastructure that is made available to cities, counties, and other state agencies through the NRIS at the State Library ought to be a qualifier for TSEP funding. There is also a basis referred to as "budgetary politics." As the Education subcommittee wraps up its work this State Library is about the only agency that is still at the zero-zero base. The cuts are real and severe and a concern that if they leave the subcommittee

phase of this Legislature without some relief there will be very little relief for the State Library in subsequent steps along the process.

Opponents' Testimony:

Alec Hansen, Cities and Towns, said the TSEP was established to do things to fund public improvement, such as water, sewer projects, bridges, and public health and safety. He would hope the committee could find other ways to fund libraries.

Steve Wade, Montana Rural Water Systems, said the current TSEP program supplies much needed monies to cities, towns, water and sewer districts to provide clean drinking water and waste water services. He urged the committee to keep the program intact.

Informational Testimony:

Jim Edgcomb, Manager, Treasure State Endowment Program, said he is available to answer questions.

Questions from Committee Members and Responses:

REP. KAUFMANN referred a question to Mr. Edgcomb. As she understood it, 2% will come off the top from the grants that have been approved for the next biennium. She asked what the process would be after that. **Mr. Edgcomb** said this is the first time he has heard about the 2% coming off the top so he is not familiar with that portion of it. The bill itself states that libraries, along with local governments, would submit proposals to the program and then he has to evaluate those and recommends to the Governor and to the Legislature regarding those recommendations for funding the projects. The bill as it is written specifically excludes the State Library from the seven statutory priorities that he uses to evaluate projects but it doesn't state how he would evaluate the proposal from the Library.

In response to **REP. KAUFMANN's** question, **REP. HEDGES** said the Library Section in this bill makes it an eligible use. It would be in a special category. **CHAIRMAN LEWIS** commented, "What witnesses talked about in the subcommittee on the library budget was that NRIS was a critical infrastructure for the state so the subcommittee wanted to make NRIS eligible for TSEP grants and that is what the bill does." **REP. HEDGES** will be offering an amendment.

REP. FISHER referred a question to Ms. Strege concerning this money filtering down to the local libraries and enabling them to do the things the cuts would preclude them from doing. **Ms.**

Strege said she has not seen the amendment that will be proposed but as the bill is written without the amendment, that money would not filter down through local libraries. It would fund Natural Resource System Projects throughout the state which are separate from the grants to libraries.

In response to **REP FISHER's** question, **Mr. Edgcomb** said the way he reads the bill, the seven priorities do apply to this proposal. He referred to Page 4, Lines 21 through 28, the fact that the Department of Commerce will receive proposals from local governments and the State Library. It also says it will prepare and submit a list containing the recommended projects and inform an amount for each project to the Governor and the Legislature.

CHAIRMAN LEWIS said he suspects what they have to do is take a look at Section 5, Page 4, Line 16. There is a statutory appropriation to the Department of Commerce and if they wanted to do NRIS, they would have to add a statutory appropriation to the State Library for operations of NRIS. That will keep the funding of that project out of the priority setting process that is established in the lower part. They take the money off up front if that is what the Legislature decides on doing. They can discuss with staff how that wording might be.

REP. LINDEEN asked Mr. Edgcomb how many proposals were submitted this biennium. **Mr. Edgcomb** said they had 55 applications and at this point in time, it is proposed that 40 of them would be funded.

In response to an inquiry from **REP. JAYNE, Jim Hill, Director, Natural Resources Information System**, said NRIS was created in 1983 by the Legislature to collect the reams of information that were being developed by the state and federal agencies and make that information available to people within the various agencies and to other agencies so that it can be used more than once. He explained Exhibit 1.

EXHIBIT (aph29a01)

{Tape: 1; Side: A; Approx. Time Counter: 0 - 29.6}

CHAIRMAN LEWIS asked Ms. Strege what the total General Fund is in the NRIS program per year at the present time. **Ms. Strege** said \$75,000.

REP. WITT said he wondered about the fees that are charged and the pass-through funding from Department of Environmental Quality (DEQ), Fish, Wildlife and Parks (FWP), Bureau of Mines and Universities etc. "Why isn't that funding your shortfall?" **Ms. Strege** said they have no shortfalls in those areas. Revenues to

the State Library will stay the same in 2005. **Kris Schmitz, Accountant, State Library**, said pass-through funding started last biennium where Fish, Wildlife and Parks, Department of Transportation, DEQ, DNRC and the Universities were considered major agencies in using NRIS. In the last biennium they looked at the user structure and how much they used to estimate a fee. Right now, FWP pays about \$70,000 per year; Department of Transportation pays about \$32,000 per year; Department of Environmental Quality pays about \$59,000 per year; DNRC is right around \$49,000 and the University Systems are right around \$44,000.

In response to an inquiry from **REP. BUZZAS**, **Mr. Hill** said he did a user survey in September, 2002 and that survey pointed out that not only are state agencies and local government making good use of the on-line information access that NRIS offers but it also pointed out that private users constitute a significant proportion of their users. They do have a fee schedule in place which is intended to, not be driven entirely, in their ability to serve a broad base by over-usage from a particular person or sector. The fee is not charged to government agencies, but only to private-for-profit users. It starts with a base of \$30 for the first hour which covers an hour's worth of time on the part of one of their staff and \$5 to cover the cost of media. The fees do not go back into the NRIS program but go back into the Resource Indemnity Trust (RIT).

REP. WITT asked, "How much money does it take to run this program?" **Mr. Hill** said their total budget is approximately a little over \$400,000 per year. That figure includes, in addition to the fees, inter-agency agreements with local state agencies and federal agencies to do specific projects.

CHAIRMAN LEWIS said, "When the subcommittee heard this, they had just finished hearing all the testimony about information that was NRIS and the fact that almost any major construction project in the state would probably make use of the information in the system and that was, in fact, part of the infrastructure development process in the state for a lot of design engineers, etc. to access the system. Is there interaction with the NRIS system on the part of the applicants?" **Mr. Edgcomb** said he believes the engineers do access the system to some degree. **CHAIRMAN LEWIS** said, "If TSEP is funded as it is in HB 11, it is about \$8 million or \$15 million in the biennium." He asked **Mr. Edgcomb** if that would reduce the project size or one less project a year. **Mr. Edgcomb** said for the most part, a lot of these projects are receiving the maximum amount allowed which is \$500,000. **CHAIRMAN LEWIS** said there was evidence presented in the subcommittee that this NRIS database was important to the

infrastructure development and that making the small reduction in the \$15 million a year that goes out to TSEP to support this was rational.

Closing by Sponsor:

REP. HEDGES closed the Hearing on HB 491.

HEARING ON HB 492

Sponsor: **REP. DON HEDGES, HD 97, Antelope**

Opening Statement by Sponsor:

REP. HEDGES said this bill would take a percent of bed tax money and revert it over to the Arts Council with an effective date July 1, 2003 and would pick up the difference for the Arts Council of roughly \$40,000. The money would be used for aesthetic grants and Arts Council programs.

Proponents' Testimony:

Arlynn Fishbaugh, Executive Director, Montana Arts Council, said the Montana Arts Council is one of the smallest state agencies. Their budget has grown by only 7% since 1994. This bill would replace one-fifth of their General Fund with the bed tax. In FY 2003 before the Governor's cut, it was \$350,000 per year. Approximately one-third of their programs support organizations that serve as cultural tourism attractions from around the state, including 32 art museums, such as the Russell Museum in Great Falls, the Yellowstone Art Museum in Billings, the Art Museum of Missoula, the Liberty Village Art Center in Chester, the Jailhouse Gallery in Hardin and many more.

{Tape: 1; Side: B; Approx. Time Counter: 0 - 28}

Opponents' Testimony:

Homer Staves, Camp Ground Industry, Billings, said the camp ground industry collects about 10% of the accommodation taxes that are collected in the State of Montana each year. There are about 600 camp grounds in Montana and out of that 600, about 280 collect the accommodation tax. One hundred percent of the private camp grounds collected the tax. Twenty-three percent of the out-of-state visitors to Montana camp while they're here. Sixty-two percent of those people use actual camp grounds, the others stay elsewhere. The majority of the people come for the scenery in Montana. Tourism is the #1 industry in Montana.

REP. DEE BROWN, HD 83, Hungry Horse, said the Arts Council needs to stand on its own. The more visitors coming into the state, the more money they will spend for the cultural events. It should not be siphoned off from the bed tax.

Mark Simonich, Director, Department of Commerce, who appears behalf of the Department and Governor Judy Martz, said the bed tax was originally created to insure a consistent and targeted source of funding for the development and promotion of tourism in the State of Montana. He explained Exhibit 2.

EXHIBIT (aph29a02)

Amy Sullivan, Montana Tourism Coalition, gave testimony from Exhibit 3.

EXHIBIT (aph29a03)

{Tape: 2; Side: A; Approx. Time Counter: 0 - 29.5}

Carl Kochman, Businessman, Great Falls, member of the Board of Directors, Montana Innkeepers Association, said this is not an "Arts against Tourism" issue. The Arts are an enhancement to the quality of life and play an important part. However, the vast majority of people who come to Montana come because of our scenery and activities.

Pat Anderson, Tax Collector, Member of Montana Bed and Bread Association, urged the committee to oppose the bill.

Cathy Burwell, CEO, Helena Chamber of Commerce, asked the committee to find the funding elsewhere and not within the bed tax.

Aidan Myhre, Montana Chamber of Commerce, said the Chamber is a strong advocate for efficiency in government. The Department of Commerce already has a very appropriate and efficient granting program that does contribute to arts' programs and arts' projects in Montana. This bill proposes a duplicate system for grants.

Tom Ebzery, Montana Airport Managers' Association, Billings, stood in opposition to the bill.

Stuart Doggett, Montana Innkeepers' Association, explained Exhibit 4.

EXHIBIT (aph29a04)

Informational Testimony: None

Questions from Committee Members and Responses:

In response to a question from **REP. FRANKLIN**, **Mr. Simonich** said in addition to promoting, they need to help develop and give the communities the ability to have the kinds of things that happen in the communities to draw tourists. For that reason they have three different grant programs to put money back into the communities for that purpose.

REP. WITT asked Mr. Staves to confirm his comment that state and counties with camp grounds do not collect the accommodation tax. **Mr. Staves** said that is correct. The only people who collect the accommodations tax on a camp ground site are 100% of the private camp grounds and then the Fish, Wildlife and Parks Department arbitrarily decided they should also collect a tax.

REP. KAUFMANN referred to Exhibit 2 and asked for an explanation concerning total bed tax amount. **Mark Bruno, Office of Budget and Program Planning**, said the total amount for the bed tax was about \$3 million in 1987. The total now is about \$14 million.

REP. BUZZAS asked for clarification on the grant program. **Mr. Simonich** said he needs to do everything he can to maintain promotion at the highest level. They will look at eliminating or cutting back on the grants they get. Their total budget within the promotions' division is about \$8.2 million and would include the grants.

CHAIRMAN LEWIS said his understanding was to expand attractions in the state to hold people that extra day or two. The subcommittee thought they were helping the Department of Commerce out by proposing this. **Mr. Simonich** said they certainly are looking to see how they can expand to get people to stay longer. The Agency has, for a long time, looked on how to expand the season to get people here and not just during the summer.

REP. KASTEN said the subcommittee was pretty optimistic about this legislation.

Closing by Sponsor:

REP. HEDGES closed the Hearing on HB 492.

EXECUTIVE ACTION ON HB 133

Motion: **REP. CLARK** moved that HB 133 DO PASS.

{Tape: 2; Side: B; Approx. Time Counter: 0 - 29.4}

Discussion:

REPS. FISHER, SINRUD, FRANKLIN, WITT, and MUSGROVE asked CHAIRMAN LEWIS for further explanation and clarification of the Teachers' Retirement System.

Motion/Vote: REP. MUSGROVE moved that HB 133 BE AMENDED, CONCEPTUALLY TO SET 1.85% INSTEAD OF 2%. Motion carried 10-9 with REPS. LEWIS, CLARK, BRUEGGEMAN, FISHER, HAINES, HEDGES, KASTEN, RIPLEY and SINRUD voting no on a roll call vote.

Substitute Motion/Vote: REP. KASTEN made a substitute motion that HB 133 BE TABLED. Substitute motion carried 11-8 with REPS. BUZZAS, CALLAHAN, FRANKLIN, JAYNE, JUNEAU, KAUFMANN, LINDEEN, and MUSGROVE voting no on a roll call vote.

Lois Steinbeck, Fiscal Analyst, explained the Medicare and Medicaid rates concerning HB 279 and it was agreed to postpone action until Wednesday, 2-12-03.

EXECUTIVE ACTION ON HB 361

Motion: REP. WITT moved that HB 361 DO PASS.

Substitute Motion/Vote: REP. KASTEN made a substitute motion that HB 361 BE TABLED. Substitute motion carried 10-9 with REPS. CALLAHAN, FRANKLIN, HEDGES, JUNEAU, KAUFMANN, LINDEEN, MUSGROVE, SINRUD and WITT voting no on a roll call vote.

With no further business, CHAIRMAN LEWIS adjourned the meeting.

{Tape: 3; Side: A; Approx. Time Counter: 0 - 27}

ADJOURNMENT

Adjournment: 5:45 P.M.

REP. DAVE LEWIS, Chairman

MARY LOU SCHMITZ, Secretary

DL/MS

EXHIBIT (aph29aad)